

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 CAB-09 CIAE-00 COME-00

DODE-00 INR-10 NSAE-00 RSC-01 FAA-00 PM-07 NSC-10

SPC-03 SS-20 PA-04 PRS-01 USIA-15 OMB-01 TRSE-00

DRC-01 L-03 /132 W

----- 127982

R 300910Z NOV 73

FM AMCONSUL KARACHI

TO SECSTATE WASHDC 7684

INFO AMEMBASSY BEIRUT

FAA BRUSSELS

AMEMBASSY ISLAMABAD

AMCONSUL LAHORE

LIMITED OFFICIAL USE KARACHI 2475

BEIRUT FOR RCAA

E.O. 11652: N/A

TAGS: ETRN, PK

SUBJECT: CIVAIR: PIA TO CONTINUE WITH PURCHASE OF DC-10'S.

REF: KARACHI 2441

SUMMARY: PIA CHAIRMAN NUR KHAN STATED PUBLICLY IN KARACHI ON NOVEMBER 28 THAT PIA WOULD GO AHEAD WITH PURCHASE DC-10 SERIES 30 TRIJETS IN ACCORDANCE WITH TERMS OF CONTRACT SIGNED WITH MCDONNELL-DOUGLAS LAST MAY. END SUMMARY

1. DURING CROWDED 90-MINUTE PRESS CONFERENCE AT HOTEL INTER-CONTINENTAL KARACHI NOV. 28, NUR KHAN CONFIRMED RESIGNATION GENL MGR RAFIQ SAIGOL AND MADE NUMBER OF STATEMENTS CONCERNING PRESENT CONDITION AND FUTURE PLANS OF PAKISTAN INTERNATIONAL AIRWAYS. MOST IMPORTANT TO US INTERESTS
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WAS THAT CONCERNING PIA PURCHASE DC-10 AIRCRAFT. AL-

THOUGH ADMITTING THAT HE WAS ON RECORD AS OPPOSING PURCHASE DC-10'S AND EVEN NOW HELD SIMILAR VIEWS, NUR KHAN SAID "RUMORS AND SPECULATIONS THAT DC-10'S MAY NOT COME TO PIA ARE BASELESS". NOW THAT DEAL WITH MCDONNELL-DOUGLAS HAD BEEN FINALIZED THERE WAS "ABSOLUTELY NO QUESTION OF BACKING OUT". DC 10'S WILL BE DELIVERED TO PIA ON SCHEDULE AND AIRLINE PLANS TO PUT FIRST TWO INTO COMMISSION ON SCHEDULE AS OF APRIL 1, 1974.

2. NUR KHAN ALSO HAD NUMBER CRITICAL REMARKS CONCERNING PAST PERFORMANCE OF PIA. PIA HAD SUFFERED HEAVY LOSS FROM RESIGNATION 23 SENIOR PILOT WHO HAD LEFT TO SERVE WITH FOREIGN AIRLINES. PILOTS HAD LEFT NOT ONLY FOR HIGHER SALARIES, BUT ALSO OWING "TOTAL MISMANAGEMENT" OF HUMAN RELATIONS BETWEEN PILOTS AND MANAGEMENT.

3. NUR KHAN ALSO CLAIMED AIRLINE WOULD HAVE LOST RS. 60 MILLION IN FY-1972-73 IF HAD NOT RECEIVED WINDFALL OF ADDITIONAL REVENUE OWING RUPEE DEVALUATION AND CONSEQUENT HIGHER PROFITS FROM WET LEASE OF AIRCRAFT. PIA SHOULD SHOW 50 PER CENT REVENUE INCREASE DURING NEXT 18 MONTHS AND MAIN THRUST WOULD BE TOWARD INCREASED AIR CARGO HANDLING. ONLY 2 PERCENT COUNTRY'S CARGO NOW BEING AIRLIFTED COMPARED WITH 15-20 PERCENT IF DEVELOPED COUNTRIES. OWING CONTINUED CONGESTION KARACHI PORT AND PROSPECTS FURTHER PRESSURE ON PORT IF SUEZ CANAL REOPENED, NUR KHAN THOUGHT FUTURE FOR INCREASED AIR CARGO BRIGHT.

4. DURING CONFERENCE NUR KHAN MENTIONED GREATLY INCREASED OPERATIONAL BUDGET OWING HIGHER FUEL PRICES AND PROBABLE NECESSITY INCREASING DOMESTIC AIR FARES BY 5 PERCENT. IN ORDER CUT COSTS ON LOW PAYING ROUTES PIA HAS DECIDED TERMINATE ITS FLIGHTS TO PRC AT PEKING INSTEAD OF CONTINUING TO SHANGHAI AND HAD ALREADY TERMINATED "BATIK ROUTE" FLIGHTS AT SINGAPORE RATHER THAN CONTINUING ON TO JAKARTA. DOMESTIC JET SERVICE WILL BE RESTRICTED TO DIRECT FLIGHTS BETWEEN KARACHI-RAWALPINDI AND KARACHI-LAHORE WITH INCREASED TURBOPROP SERVICE BETWEEN LAHORE AND RAWALPINDI, WHICH FORMERLY ENJOYED JET SERVICE.
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COMMENT: INSPIRED PRESS REPORTS, RUMORS AND NUR KHAN'S OWN STATEMENTS, AS REPORTED REFTEL, INDICATED HE WAS AT LEAST CONTEMPLATING WITHDRAWAL FROM MCDONNELL-DOUGLAS DC-10 CONTRACT. PRESENT PUBLIC DECLARATION OF INTENTION ADHERE TO DOUGLAS CONTRACT SEEMS INDICATE HIS REALIZATION, AFTER DUE INVESTIGATION, THAT IT NOW TOO LATE AND TOO COSTLY TO CHANGE OVER TO BOEING, EVEN THOUGH HIS OWN

PERSONAL INCLINATIONS STRONGLY IN THIS DIRECTION. NUR
KHAN'S STRONG STATEMENT ON CONTRACT AND CLAIM THAT RUMORS
CONCERNING CANCELLATION BASELESS, NO DOUBT MEANT RESTORE GOOD
RELATIONS WITH DOUGLAS FOR PERIOD OF VERY CLOSE COOPERATION
IN MONTHS AHEAD AS NEW DC-10'S ARRIVE HERE.
TIGER

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